

A Work Project, presented as part of the requirements for the award of a Masters
Degree in Management by the Faculdade de Economia da Universidade Nova de Lisboa



The implementation of RAID Retail in Spain

Technology-Market Transfer Plan

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Masters Number: 240

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January 2009

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1. Executive Summary

The main goal of this work project is to develop a Technology Market Transfer for the implementation of RAID, a revenue assurance solution designed by the company WeDo Technologies, in a B2B¹ approach to the Spanish retailing market.

After defining Spain as the best market to introduce this product, due to the great economical dimension of its retailers, a deep analysis concerning the company and its environment was executed. In the present days, retailers find themselves in an increasingly more competitive market; they are under the pressure of price deflation and customers are more cost-conscious and demanding than ever. Also millions of euros are lost annually in this industry due to poor billing management. To respond to these needs, RAID Retail is able to detect and prevent financial leakage as well as identify inconsistencies along the billing chain, increasing revenue, providing fast ROI and reducing time-to-market.

After defining the targeted segments, distribution will be performed through zero-level and one-level channels and communication efforts will be developed in order to follow a pull strategy. Pricing will be dynamic and value-based regarding the annual revenue losses within each segment.

The implementation will engage the improvement of the organization's legitimacy and the settle of the new commercial adviser in Madrid's headquarters. RAID's launch is set to be on April 2010 and a full payback of the investment in the first year is predicted.

1.1. Methodology

The present work project was based in three types of research findings. The most utilized was the internet throughout Google, to find data about the retailing industry in

¹ B2B: Business to business.

Spain. Moreover, to a better understanding of the product, several meetings at WeDo headquarters were attained. Finally, direct research through academic papers and specialized literature was performed, crucial to apply the basic tools of the marketing plan.

2. Mission and Objectives

Mission:

“To be a reference in the Business and Process Assurance market, therefore following a gradual strategy for internationalization and basing the activity upon the excellence of Human performance.” (*WeDo Technologies*)

Objectives:

- Build the product’s awareness for the retail business and its successful implementation in the Spanish market, enhancing WeDo’s recognition and augmenting its global market share in 3% for the following five years.
- To achieve a demand success rate of 35% after the product’s presentations, reaching 3 new clients from the priority segments, within the first year, in Spain.

3. Selected Technology and the Spanish Market Situation (S.W.O.T)

RAID (Revenue Assurance Integrity Driller) is a solution designed to guarantee the accurate billing of all transactions, products and services. It identifies sources of revenue leakage and optimizes all the businesses processes.

Business Model

The product enables to import information from different platforms to a central database and applies business validation logic to this data, identifying errors or inconsistencies, initiating actions, producing alarms and providing several types of analysis and reports.

Market Situation Analysis (SWOT)²

Nowadays, Spain is going through an adverse economical situation, mainly due to the credit crunch. Not only retailing is considered a profitable market to introduce this solution, but the crisis has left the retailers with an urging need for operational optimization to prevail in the market, representing a great opportunity for WeDo to implement RAID in this sector, (see table 1).

Although benefiting from its first mover advantage (no direct competition), rivalry is fierce: potential threats arrive from system's integration firms (Pure Play and Generic solutions) but also from retailers' own "In House Solutions".

Table 1: SWOT and TOWS analysis

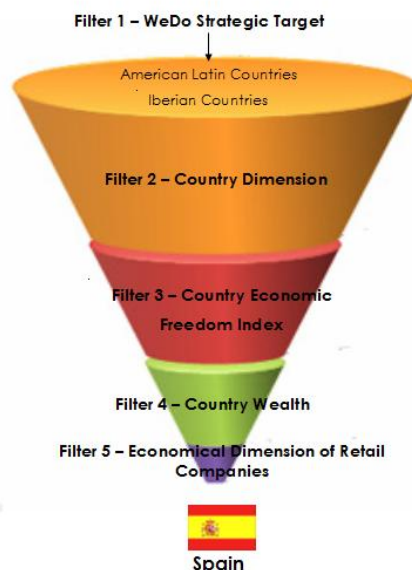
SWOT analysis	TOWS analysis
Strengths Organization: <ul style="list-style-type: none">• Good range and integration of products and services offering• Worldwide presence• Quality warranties due to the certification and memberships• Quality reputation: corporate umbrella of Sonae• Presence in the Spanish market Technology: <ul style="list-style-type: none">• Retailing know-how• First Mover Advantage• No technical restrictions after a simulation in the retail sector• Provides Fast ROI• Same cultural context	How to benefit from the strengths? Technology: <ul style="list-style-type: none">• Attain Spanish retailers recognition• Benefit from the complementary retail expertise (Sonae)• Performing scanning tests and trials on Continente (Sonae)
Weaknesses Organization: <ul style="list-style-type: none">• Overall focus on telecommunications Technology: <ul style="list-style-type: none">• Product may be perceived as competition by the	How to overcome the weaknesses? Organization: <ul style="list-style-type: none">• Through the designed communication campaign (see the "Marketing Communications" section) Technology:

² For further detail consult Appendix 1

<ul style="list-style-type: none"> association with Sonae WeDo's lack of status as a system's provider company Portugal is not seen as a technology exporting country WeDo's commercial structure is not retail oriented 	<ul style="list-style-type: none"> Invest on marketing tools oriented to the retailing Transform the connection with Sonae into strength by emphasizing how it can provide expertise and product reliability for the retail sector Underline previous success cases in the telecom industry
<u>Opportunities</u> Technology: <ul style="list-style-type: none"> No direct competition Retail sector in Spain: profitable industry to implement RAID Accentuated need for billing efficiency due to the economical crisis 	How to benefit from the opportunities? Technology: <ul style="list-style-type: none"> Be the first mover and increasing the corporate market share Highlight the actual industry needs
<u>Threats</u> Technology: <ul style="list-style-type: none"> Entry of new players and competitor's imitation Euro area: European technologies perceived as more expensive Indirect competitor's temptation to crush margins Economical crisis: reduced sales because of potential client's short funds Uncertainty regarding a new product for the sector. 	How to overcome the threats? Technology: <ul style="list-style-type: none"> Develop strong marketing strategy: <ul style="list-style-type: none"> Clarify the concept Emphasize the sector needs –show how benefits compensate price Present RAID as a valuable asset to face the actual crisis Adapt prices to the retailers financial capacity.

4. Marketing Plan for RAID Retail in the Spanish Market

Figure 1: Funnel for Market Selection



For the market selection, a schematic funnel containing 5 economic and demographic filters was designed to assess countries' attractiveness for RAID's implementation.

WeDo's managers requirement was to focus on the company's commercial region IBLatam (**Filter 1**; including the Iberian and the Latin American countries), due to cultural context similarity to Portugal.

Applying **Filter 2**, only the countries with more than 5.000.000 inhabitants were considered to exclude the small countries, which do not usually have big retail firms (the main target for WeDo, since they have the financial capacity to buy these solutions).

Narrowing down the funnel, **Filter 3** concerns only those countries with an Economic Freedom³ score higher than 50⁴. This criterion is important, once it reflects the countries' capacity freedom to trade without state restrictions. **Filter 4** reflects the countries' wealth: only those with a GDP per capita over \$8.000 USD are interesting for WeDo, not only because the business model requires a developed country, but also represents a good indicator of the willingness to purchase goods in big retail chains. Finally, **Filter 5** distinguishes the country with the highest retail business economical potential: Spain. By combining the sales of the ten top retailers in each of the remaining countries, Spain revealed a great differential margin from the other countries, for that considered as the ideal market to introduce RAID Retail (see Figure 1; for further detail consult Appendix 2).

4.1. Strategic Triangle

RAID is considered to be a company driven product, so it was analysed in a business-to-business marketing perspective. In this phase, Segmentation, Targeting and Positioning were defined.

4.1.1 Market Segmentation and Market Size

A. Segmentation

To come across the best companies to implement RAID, a set of demographic variables were applied to segment the market:

- **Variable 1 - Type of Industry**: between three possible industries⁵, the chosen for this project was the Retail Industry.

³ **Economic Freedom** refers to the individuals' and organizations' right to pursue their own interests through voluntary exchange of goods and services under the regulations dictated by the rule of the government (<http://www.yourdictionary.com/business/economic-freedom>).

⁴ According to the Heritage Foundation (<http://www.heritage.org/index/Default.aspx>).

⁵ New divergent industries for RAID's application: Retail; Utilities and Finance.

In terms of market size, Spain comprises a total of 527.740 retailers, constituting a full amount of 206.833.748 M€ in terms of sales volume (see Appendix 3).

Nevertheless, this number does not represent the real targeted retailers for RAID. Due to the high financial and internal organization restrictions for the product's acquisition, the majority of the companies in the sector will not be considered for this analysis.

For this reason, to perform segmentation, financial data collection over the top 50 retailers⁶ in Spain was gathered, regarding the fiscal year of 2008 (see Appendix 4).

- **Variable 2 - Client's services/Products' offer**

According to its managers, WeDo intends to explore only the food retailing market in the first attempt of implementation, mainly due to the historical connection with the supermarket chain Continente (from Sonae), in which the product has been tested.

As a result, the segmentation analysis was divided into two different temporal releases⁷: Release 1, Food Retailing, and Release 2, Non Food Retailing. For each release, two demographic variables, related to the business size of the companies in study, were applied:

- **Variable 2.1 – Annual Sales Volume**

The retailer's business volume is the most important criterion in order to divide the companies regarding their financial capacity to afford expensive software. However, elevated annual sales may also be a good indicator of high profit margins, meaning some retail companies may presume that there is no need to optimize their internal operations, representing a challenge for WeDo.

- **Variable 2.2 – Number of Points of Sales**

⁶ Source: <http://www.ranking5000.com/top100-ranking-empresas-espana-2008>. The list is not extensive since RAID is preferential aimed at the most profitable retail companies in Spain. The sample is not representative of the entire Spanish retail market but it includes all the wealthiest retailers in 2008, attending to WeDo's main requirement.

⁷ Consult Appendix 5 to see the sample of companies analysed for each release.

This measure is critical since high number of stores suggest a larger network of POS systems, increasing the internal processes' complexity. The more complex is the process, the higher the prospect for errors, fraud or incoherencies between databases across the revenue chain, leading to revenue leakage.

A.2 Assess segments for targeting

As both criteria could not be simultaneously applied, so not to distort the current analysis, the following segments are not mutually exclusive:

Table 3: Market segments

Annual Sales volume	
Segment A - Top National Retailers	> 500.000 M€
Segment B – Potential Clients	> 100.000 M€ ; < 500.000 M€
Segment C – Other Retailers	< 100.000 M€
Number of POS	
Sub-segment D – Big Retailers	> 500
Sub-segment E – Medium Retailers	> 100; < 500
Sub-segment F – Small Retailers	< 100

For further detail on each segment, consult Appendix 6.

A.2.1 Segmentation for Release 1 (see Appendix 7)

Applying both variables to the food retailing sample, the segmentation is as it follows:

Table 3: Segmentation for Release 1

Retail Company	Category	Nr of POS	Annual Sales 2008 (Million €)	Variable 2.1	Variable 2.2
				Segments	Segments
MERCADONA	Supermarket	1.236	13.051,00	A	D
CENTROS COMERCIALES CARREFOUR	Supermarket	446	9.388,00		E
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN (DÍA)	Supermarket	2.796	4.145,00		D
HIPERCOR	Hypermarket	36	3.444,00		F
ALCAMPO	Supermarket	50	3.372,00		F
CAPRABO	Supermarket	359	2.309,00		E
DINOSOL SUPERMERCADOS	Supermarket	427	2.236,00		E
LIDL SUPERMERCADOS	Discount store	480	1.900,00		E
CONSUM	Supermarket	560	1.557,80		D
MIQUEL ALIMENTACION GRUP	Supermarket	500	1.170,00		D

AHORRAMÁS	Supermarket	203	1.121,00		E
SUPERMERCADOS SABECO	Supermarket	137	1.085,00		E
GADISA	Supermarket	50	867,51		F
CONDIS SUPERMERCADOS	Supermarket	50	762,00		F
GRUPO EL ÁRBOL DISTRIBUICION Y SUPERMERCADOS	Supermarket	367	711,70		E
ALIMERKA	Supermarket	173	502,00		E
DISTRIBUCIONES FROIZ	Supermarket	240	490,00	B	E
BON PREU	Supermarket	72	470,80		F
COVIRAN	Supermarket	2.363	440,00		D
TIENDAS DE CONVENIENCIA OPENCOR	Convenience store	17	407,63		F
SUPERCOR	Supermarket	74	403,09		F
GRUPO HERMANOS MARTIN	Supermarket	108	370,00		E
MADRILENA DE NEGOCIOS	Supermarket		309,90		
LUÍS PIÑA	Supermarket	142	294,00		E
DISTRIBUIDORA DE ALIMENTACION DEL SURESTE	Supermarket	81	200,00		F
ALDI SUPERMERCADOS	Supermarket	195	185,50		E

A.2.2 Segmentation for Release 2

For Release 2, the same segmentation process was used by submitting the non food retailing market sample to both variables (see Table 4 and consult Appendix 8 for more details).

Table 4: Market segmentation for Release 2

Company	Category	Nr of POS	Annual Sales 2008 (Million €)	Variable 2.1	Variable 2.2
				Segments	Segments
EL CORTE INGLÊS	Department store	69	12.417,00	A	F
SOLRED	Gas station		3.998,00		
EROSKI (COOPERATIVA)	Department store	653	2.313,00		D
MEDIA MARKT / SATURN	Electronics and office supplies	50	1.809,00		F
REPSOL BUTANO	Others	647	1.418,00		D
LEROY MERLIN	Furniture and Household	45	1.061,00		F
DECATHLON ESPAÑA	Textiles, Apparel and Footwear	57	979,00		F
ALDEASA	Others	258	629,56		E
FEDERACION FARMACÉUTICA	Drug store / pharmacy		603,00		
BERSHKA BSK ESPANA	Textiles, Apparel and Footwear	265	511,30	B	E
C&A	Textiles, Apparel and Footwear	108	441,90		E
EURONICS INTERNACIONAL	Electronics and office supplies	>800	427,00		D
ESTABLIMENTS MIRO	Electronics and office supplies	170	410,00		E
EXPERT INTERNACIONAL	Electronics and office supplies	900	405,00		D
JOYERIA TOUS	Others	150	400,00		E
TYCO HEALTHCARE SPAIN	Drug store / pharmacy		345,00		
PC CITY SPAIN	Electronics and office supplies	62	267,00		F
KESA / MENAGE DEL HOGAR	Furniture and Household	45	251,00		F

FNAC ESPAÑA	Electronics and office supplies	19	220,00		F
SFERA	Textiles, Apparel and Footwear	138	170,83		E
WORTEN / BOULANGER	Electronics and office supplies	9	120,00		F
BRICOLAGE BRICOR	Furniture and Household	< 70	48,41	C	F
CONFORAMA	Electronics and office supplies	14	32,00		F
IBERICA DE DROGUERÍA Y PERFUMERÍA	Others		21,10		

4.1.2 Targeting and Ideal Customers

After defining the above segments, each division of the market must be evaluated based on its attractiveness and fit with WeDo's strategic targeting decisions, (Wood, 2008).

To each criterion, a percentage weight was attributed, taking into account its relevance for RAID's implementation; (see tables 5 and 6):

The **annual sales volume** is the key requirement for this technology, for that corresponding to 70% weight. As the **number of establishments** may indicate superior internal complexity and expansion strategies, this criterion should account for 15% weight. As it is important to WeDo to have a consistent number of companies to target, the greater the number of customers in a segment, the more attractive it will be. This way, the **segment's dimension** is 10% weighted. The last criterion concerns the **world expression companies**. It accounts for 5% of the total weight once it is important to RAID's future prospects. By implementing the product in an international chain, new contacts and possibility to expand the sales of RAID to other stores belonging to the same international corporation become more likely to happen (see Appendix 9).

Table 5: Criteria evaluation for segment attractiveness of Release 1

Evaluation Criteria	Weight ⁸	Segments					
		A	B	C	D	E	F
Annual Sales	70%	5	3	N.A	4	4	3
Nr of POS	15%	3	3	N.A	5	3	1
Segment's dimension	10%	4	4	N.A	2	4	2
International Retailers	5%	2	2	N.A	2	2	3
Total Score	100%	4.49	3.05	N.A	3.85	3.75	2.60

Scoring key: 5 = highly attractive / 4 = moderately attractive / 3 = average / 2 = moderately unattractive / 1 = highly unattractive

Analysing the table above, it is possible to distinguish three segments with a higher score: A, D and E. The main requirement for WeDo is elevated annual sales, meaning segment A becomes immediately a priority to target. It presents a considerable dimension and all the incorporated companies will be targeted equally.

Further, segment B will be considered, excluding sub-segment F, so that companies with characteristics of segment D and E will also be targets.

As a conclusion, the ideal clients for RAID are those included in the following targets: A; B1.D and B1.E.

Table 6: Criteria evaluation for segment attractiveness of Release 2

Evaluation Criteria	Weight ⁸	Segments					
		A	B	C	D	E	F
Annual Sales	70%	5	3	2	4	3	2
Nr of POS	15%	3	3	2	5	3	2
Segment's dimension	10%	4	3	1	2	2	4
International Retailers	5%	5	5	3	4	4	5
Total Score	100%	4.60	3.10	1.95	3.95	2.95	2.35

Scoring key: 5 = highly attractive / 4 = moderately attractive / 3 = average / 2 = moderately unattractive / 1 = highly unattractive

Followed by segment D, segment A is the strongest and the best to be targeted. It scores high on the primary condition for WeDo, high annual revenues, it comprises firms with average number of POS, has an appealing size and it is constituted mainly by international companies. Segment D gathers these conditions and also groups a

⁸ Weight percentages were attributed to each criterion in discussion with WeDo marketing manager. Although this analysis can be considered as subjective, it takes into account the WeDo's experts view.

substantial number of wealthy retailers, becoming an interesting target for RAID's implementation. Ideal consumers for Release 2 belong to targets: A and B1.D.

4.1.3 Market Strategy

In both releases, major priority will be given to Segment A, which incorporates the most wealthy retail companies. Sub-segments D (for both releases) and E (for release 1) are also attractive and a similar marketing strategy (as for Segment A) will be developed to cover them. Since there are understandable differences regarding the investment capacity between these segments, pricing will be the differentiator factor among the marketing strategies: different levels will be created for the pricing offer according to budget availability (measured by revenue sales).

To conclude, a **Differentiated Marketing Strategy** will be applied, since distinct strategies will target the different segments that WeDo consider to be attractive for RAID technology (Wood, 2008).

4.1.4 Competitors' Analysis⁹

Although RAID does not have direct competition yet, since it is a newcomer to the retail industry, it faces fierce rivalry in the business assurance area: Pure Play Solutions (from consulting and system's integration based firms) offering similar products (such as cVidya's MoneyMap; MonetaTM; Connetiva AffirmTM; and RAPTM); In House Solutions (retailers developing their own billing systems) and Generic Solutions (standard revenue assurance technologies that may be applied to all industries): Profitmine and Ascom RA, the most important products in this industry.

⁹ See Appendix 10 for a more detailed competitor's analysis.

4.1.5 Positioning

To select meaningful attributes for RAID's differentiation, a comparison of the products' offers regarding its competitors, followed by an analysis of how these are valued by the retail clients, was performed (see Table 7); consult Appendix 11.

Table 7: Valuation of product attributes of RAID and its competitors.

Client's evaluation criteria	Weight ¹⁰	Competitors	RAID			
		System Integration Firms' products ¹¹	In House Solutions	Generic Solutions	RAID (current product)	RAID (as it should be)
Set-up price	7%	+	+++	++	-	+
Maintenance price	6%	+	+++	++	-	+
Available features/services	5%	++	-	-	++	++
Ease of utilization	5%	++	+++	+	+++	+++
Office location in Spain	8%	--	N.A.	-	++	+++
Brand knowledge	5%	+	N.A.	-	- -	+
Brand reputation (success cases)	8%	+	(-) ¹²	-	++	++
Time-to-market	5%	++	--	+	++ ¹³	+++
Know-how in the retail sector	18%	--	(+++) ¹⁴	--	++	+++
Retail specificity	18%	- -	(+++) ¹⁴	- -	+++	+++
Fast ROI promise	15%	+++	-	-	+++	+++

Scoring Key: Major strength +++; Big strength ++; Strength +; Weakness -; Big Weakness - -; Major Weakness - - -

RAID seems well positioned among the competitors and the main threat comes from the In House Solutions. As implicit, the major strengths of RAID are the ease of utilization, the retail specificity and the fast ROI promise. The last two elements are highly appreciated by retail clients. On the other hand, since price is elevated compared to its competitors', it should be revised since it can influence the consumer final

¹⁰ Weight given by potential clients; information provided by managers after discussing these criteria with Continent (Portuguese retail chain) brand managers.

¹¹ RAID's direct competitors in the telecom market: MoneyMap; Moneta RA System; ConnectivaAffirm; RAP.

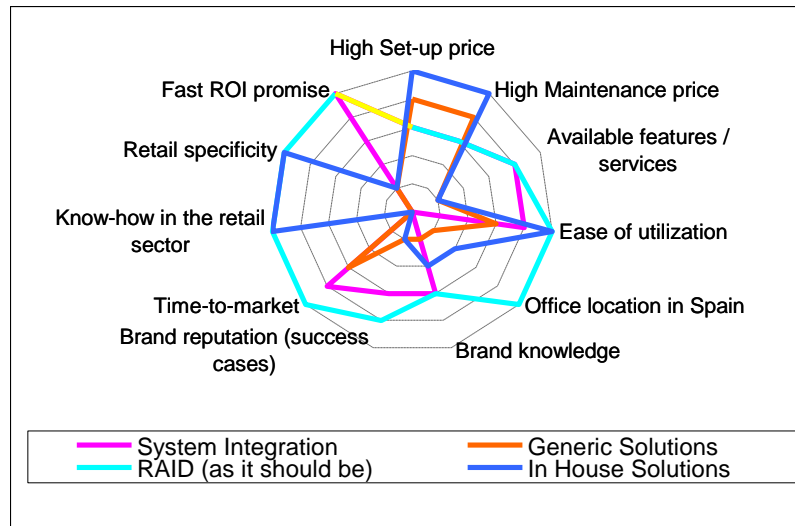
¹² Research shows that In House Solutions do not perform as well as specialized ones, (http://findarticles.com/p/articles/mi_m0FGI)

¹³ In a typical project, the initial phase (including analysis, implementation and configuration) last for 16 weeks (time-to-market).

¹⁴ When considering an In House Solution built within a retail company.

decision. WeDo should also build a stronger brand image to become more recognized in the technology market (see Chart 1).

Chart 1: WeDo's desirable positioning.



Positioning Statement

The actual WeDo's positioning statement for RAID is the following: "The best solution available on the Revenue Assurance Market". Such declaration can raise several critics: to begin with, it is directed only to the telecom industry¹⁵, meaning that it must be updated to the retail sector; secondly, it is extremely corporate self-oriented by not including the main target; finally, it is stated that RAID is considered to be "the best solution" although not specifying the reason to believe, why or what differentiates this product regarding its competitors.

Following the marketing perspective of Kotler et al, 2008, the positioning statement for RAID should be: For the top retailers that aim operational optimization (*Target*), RAID is the best revenue assurance solution (*Concept*) designed specifically for the retail industry (*Point of Difference*) due to WeDo's previous success cases in the telecom sector, guaranteeing fast return on investment (*Reason to Believe*).

¹⁵ As stated by the WeDo's marketing manager.

4.2. Marketing Mix

4.2.1 Product

RAID, Revenue Assurance Integrity Driller, is a Business Assurance solution designed by WeDo Technologies. It basically detects, identifies and prevents revenue leakage across the billing chain, by importing information from different platforms to a central database applying business validation logic to this data (**Core Service**¹⁶). The software also produces alarms and several types of analysis and reports. When applied to the **retail sector** it delivers the following aspects (**Actual Service**):

- Provides stocking control by determining minimal stock values and monitoring timely stock replacements;
- Verifies suppliers' delivery SLA's¹⁷ and checks invoices to ensure the appliance of all the contractual conditions (discounts, campaigns, etc.);
- Controls internal fraud and checks POS records to identify unusual sequences of operations.

Potential clients will not buy RAID only for its features but mainly for the value in providing benefits and covering needs, (Wood, 2008); (see table 8). Hence, it is possible to see how the product will benefit¹⁸ the retailers: it can be easily integrated into any IT infrastructures and increases revenue improving quality and customer satisfaction. It also reduces rating errors and time-to-market while guaranteeing a fast return on investment (from 3 to 5 months after implementation). Besides providing better stock management, it assures efficient control on fraud and SLAs fulfilment, mainly with suppliers.

¹⁶ To see a deeper description of the product's levels, consult Appendix 12.

¹⁷ SLA: Service Level Agreement

¹⁸ For further detail on the benefits, consult Appendix 13.

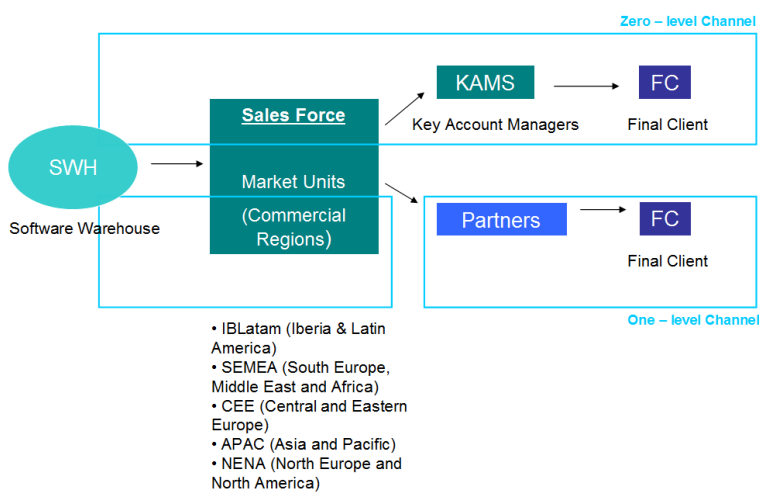
Table 8: Needs, features and benefits of RAID

RAID's technology	Need	Feature	Benefits
Data Sources	Process large data volumes	Integration Agents	Collects information from different platforms and processes data in virtually any format
Solution Modules			
Platform Integrity	Data coherency verification	Checks data consistency across several platforms	Detects poor billing situations
Revenue Control	Loss revenue identification	Monitors the exchange of information within the revenue chain	Identifies possible flaws or deviations between systems, producing alarms
Events Control	Difficulty in processing many daily events	Controls the events processing	Monitors all events and their inclusion in the customer invoices with no failures
Invoice Control	Need for efficient invoice management	Monitors the invoice generating process	Compares invoice data against historical data to permit customer trends' analysis
Business Control	Need for Price protection	Monitors additional business processes other than the revenue chain	Ex. Promotions Alarm generations in case of product's price if ever below its cost
Margin Assurance	Identification of products that are sold with no margin for the retailer	Reconciliation between cost and price of the products	Guarantees margin allowing profits to the retailer
User Interfaces			
<ul style="list-style-type: none"> Control Dashboard Reporting and Data Browsing Alarms and Case Management Configuration 	Need for tailored system control and configuration	<ul style="list-style-type: none"> Detects data integrity Build personalised reports Track problems Allows to design the validation rules 	Monitors problem resolution across the organisation and provides a certain level of customization.

Source: WeDo

4.2.2 Distribution

Chart 2: Distribution Value Chain for RAID¹⁹



For geographical reasons, Spain will be served by the SWH existing in Braga (Portugal) and its distribution will be performed in two ways: by adopting a zero-level channel strategy, in the introductory phase of the product,

and/or a one-level channel strategy, when the market becomes more mature (see chart 2).

¹⁹ The sales force is divided according to the defined commercial regions, in which several Key Account Managers are nationally established and are responsible for the direct contact with the customers.

On a **zero-level**, through a sole channel (KAMS in Madrid) sales efforts will be strictly directed to clients bypassing any external intermediaries (Wood, 2008). This sort of direct marketing distribution is effective due to the specificity of the product, restricted number of potential clients and high level of expertise in services linked to the trade. This way, WeDo will hire a commercial adviser to perform this type of sales. By selling through a **one-level** channel, WeDo will work with two types of intermediaries: **partners**, that will assume the function of Prime Contractors²⁰ and **representatives**, who are responsible for the contact with the potential clients, (consult Appendix 15).

WeDo managers believe that, depending on the cases, will be the retailers' CFOs (chief financial officers) and IT Managers who handle the purchasing decision. They are usually aware of many technological products in the market and are subject to many offers from a great variety of companies²¹, meaning that having few intermediaries in the distribution chain will confer value to the product's negotiation. Since great expertise and share of knowledge is required, the more direct the link with the company, the better.

4.2.3 Marketing Communications

To better introduce this product in the market, an **Integrated Market Communications (IMC)** approach was designed to reach the Spanish retailers (Wood, 2008). WeDo will invest greatly in communication to develop the clients' interest, which clearly suggests a **Pull Strategy**, by allocating the efforts on "pulling" the target audience to purchase RAID (O' Shaughnessy, 1995).

²⁰ **Prime contractor** refers to an identity having a direct contract for an entire project; this contractor may in turn assign portions of the work to subcontractors (<http://encyclopedia2.thefreedictionary.com>).

²¹ Usually these type of companies make a RFP (Request For Proposal), inviting several technology suppliers to deliver their proposal. The RFP indicates the evaluation criteria for the proposals.

Communication Objectives

WeDo intends to create awareness of the product and its capacity to meet the retailer's needs. In second place, the company wishes to instigate brand building by enhancing WeDo Technologies as a consultant and system's provider company in Spain, achieving the follow goals:

- To reach 20% of the targeted retailers in the first trimester, so they can become aware of the product's existence and functionality;
- To manage to book commercial visits at least to the companies in the sample from segment A (Release 1) within the first year; achieving a success rate of 35% (companies demanding for proposals) as a consequence of these visits, within a year;
- To sign with 3 new clients from segment A (Release 1) in the first year;
- To attain 4.500.000 € revenues in business contracts regarding the first year.

Target Audience

The target audience will only comprise a great minority of the Spanish retailers: companies that belong or reveal the same patterns of segments A, D and E (for Release 1) and segments A and D (for Release 2), prioritizing segment A in the first year.

Efforts should be focused on the purchasing decision makers (a subgroup from the first targets): IT managers and CFOs, who have the ultimate authority to choose between suppliers and deal with the formalities of the trade (O'Shaughnessy, 1995).

On the other hand, since this is an unexplored market, WeDo will deal with a "Latent Demand", meaning that, as quoted by O'Shaughnessy, 1995, retailers in Spain are not actively in search of RAID as they are not "aware of its potential for enhancing its goals". Furthermore, statistics²² show that Spanish retailers are becoming more and

²² Please consult Appendix 15 for a deeper analysis on the evolution of retailer's demand for IT solutions, in Spain.

more influenced by technological counselors: external and legal advisors, as well companies specialized in software development for the retail sector, should also be targeted.

IMC Tools²³

The following IMC tools will be used: Public Relations, Advertising, Internet Communications, Personal Selling and Direct Marketing.

WeDo outsources **Public Relations**' services through the leading global commercial news distribution company PR Newswire, which will engage the **press releases**' distribution through the best channels. Furthermore, it would be important to invest in **events** to better communicate its features and benefits. **Trade shows**, on the other hand, are key channels to get earlier customer feedback and to build a stronger contact with potential clients. Sales people training will be crucial to have a good performance and capture the attention of customers, as well as creative promotion booth spaces, as advised by Wood, 2008. Regarding the WeDo's strategic intentions of being more selective in terms of events' attendance, the suggested budget for the first year's fairs presence is 69.000 €, corresponding to nearly 11% of the predicted commercial costs²⁴. According to WeDo, RAID will be presented in the following events: NFR Loss Prevention Show, Retail Fraud Conference & Exhibition, Efficient Consumer Response Europe Forum & Market and Retail IT 2010²⁵. To better reach the Spanish retailers, I would also recommend attending the SIMO²⁶, SITI²⁷ and the Medpi Iberia²⁸ events. Nevertheless, the **advertising** tools will be crucial, since unknown products

²³ Please consult Appendices 16 and 17 for further detail on the IMC Tools for this project.

²⁴ See Appendices 25 and 26.

²⁵ Attended in New York, London, Barcelona and London, respectively.

²⁶ International Data Processing, Multimedia and Communications Show,

²⁷ Network and Technology Professionals Fair.

²⁸ European Market for the Distribution of Interactive Products.

such as RAID require higher promotional support and spending than those that are already established (Lehman and Winer, 2004). As a result, several RAID Retail **brochures** will be available during events and presentations, as well as **product's virtual demos**. Regarding the **personal selling**, after scheduling meetings with the potential clients, salespeople will present the product in their companies. Because RAID is not a physical product, but software, those virtual demonstrations should be shown in order to provide the best trial experience possible to customers. Hence, it is crucial for WeDo to develop a specific demo of the product tailored to the retail business. The distribution of brochures is also important because these contain the core information about RAID and all the company's contacts.

In terms of **internet communications**, the product is already being promoted in the **corporate website** and **e-newsletters** are periodically distributed to existing and potential clients that have agreed to be contacted by WeDo (permission marketing).

WeDo will also reach the target audience through **direct marketing** in order to achieve shorter-term responses: **e-mailing** will be used to promote the product to clients that are already introduced in the database. On the other hand, **telemarketing** will be crucial to connect with potential clients and schedule meetings so to present RAID.

To access further details on the described marketing communications' timeline, please consult the section "4.3.2. Minute".

4.2.4 Pricing

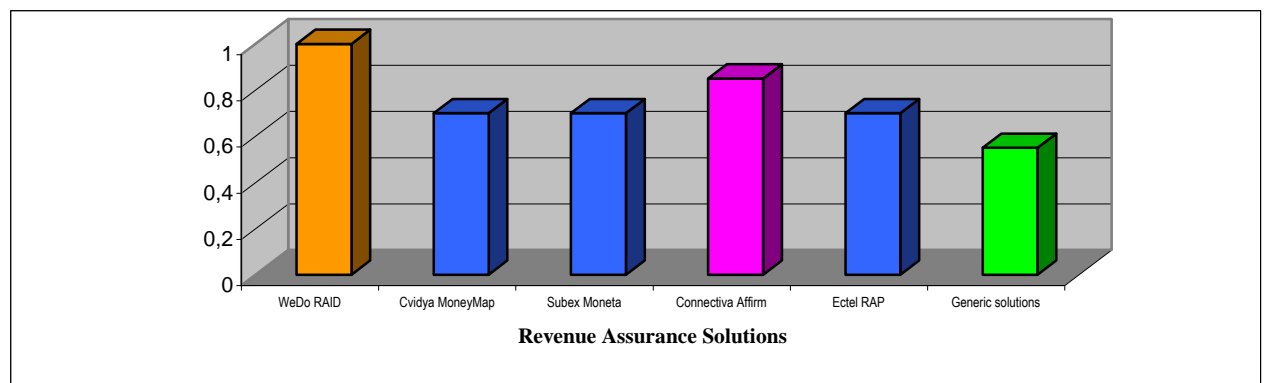
Regarding the price of the product, WeDo's strategic approach should be based on Customer Value²⁹ since it constitutes a new product for the retail industry with no direct competition (and therefore no comparison between prices is available) and that

²⁹ **Customer Value**, according to Lehman and Winer, 2005, refers to the product's value perceived by the clients in monetary terms.

potential clients are expected to be extremely aware of its benefits (the saving of money and time). According to Wood, 2008, corporate external and internal factors must be analyzed before applying the price policy:

The **external factors** include the economical recession in Spain and the emerging need for billing efficiency. On the other hand, retailers are very price sensitive and may reveal some uncertainty regarding the product since there are no comparative examples in the market for this industry. Although unique for the retail sector, the **indirect competitors' price behavior** should be considered. Lehman and Winer, 2004, regard “competitors’ prices act as a reference point”: in chart 3 is possible to see that, in general, WeDo prices its products higher than other firms in the market.

Chart 3: WeDo's and Competitor's prices comparison³⁰



The price must take into account the **internal factors** such as the cost and revenue structure³¹ of RAID: the development costs are elevated and ROI is usually achieved only after completing a third sale. Pricing should also reflect WeDo as the first mover in this business area and to be consistent with the positioning and image embraced by this brand. In this case, to charge a significant high price can be used as an indication of strong price-perceived quality relationship (Lehman and Winer, 2004).

As a result, the pricing policy of RAID Retail is based upon the client's perception of the product's value and their willingness to pay (Nagle and Hogan, 2006)

³⁰ Consult Appendix 18 to assess how the competitors' price comparison was attained.

³¹ Consult Appendix 19 to analyse the cost and revenue structure of RAID.

by using thresholds that correspond to the **reservation prices**³² and **lower boundary thresholds**³³. Hence, because revenue losses go from 0,5 to 2% annually³⁴, a sensitivity analysis³⁵ was performed (in four scenarios: annual losses of 0,5%, 1,0%, 1,5% and 2,0%) for each of the targeted segments, (see Appendix 20). This method was applied to understand if the price of the product compensates retailer's annual losses, since RAID's primary function is to prevent financial leakage. For this simulation, only the best case scenario will be used (losses of 0,5%) since, due to the price sensitivity characteristic, retail companies are expected to assume to have revenue leakage of no more than 0,5% a year.

To deliver an appealing pricing proposal to potential clients, WeDo should charge a value around 25% of the expected financial loss, which is, according to WeDo, a “psychological acceptable value”.

The final price comprises the client's CAPEX³⁶ and OPEX³⁷. Around 75% of the total price is usually placed on CAPEX, 50% reporting to the license price and 25% corresponds to the implementation services. The operational expenditure generally represents 25% of the total price and includes the annual maintenance fees and some additional on-site services that may be required.

³² **Reservation price** stands for the highest price a client would pay for the product.

³³ **Lower boundary threshold** corresponds to the lowest price the customer is willing to pay for a product. (Lehman and Winer, 2004)

³⁴ In the retail sector, according to WeDo's managers.

³⁵ Since it was very difficult to communicate with all the retailers in the sample, to accurate how much RAID should worth as a product.

³⁶ CAPEX refers to the Capital Expenditure, corresponding to the start-up investment of clients.

³⁷ OPEX stands for Operational Expenditure, including all the maintenance services along the time of use.

Table 9: Recommended dynamic pricing structure for RAID (according to segments)³⁸

	Segment's Annual Average 0,5% Revenue Losses		PRICING			
			Recommended Price (€)	OPEX		CAPEX
Targeted Segments	Values (€)	25%*Value		Licence (50%) (€)	Implementation Service (25%) (€)	Maintenance Fees (25%) (€)
Release 1						
A	6.004.410	1.501.103	1.500.000	750.000	375.000	375.000
B1.D	2.200.000	550.000	550.000	275.000	137.500	137.500
B1.E	1.823.500	455.875	450.000	225.000	112.500	112.500
Release 2						
A	6.713.125	1.678.281	1.700.000	850.000	425.000	425.000
B1.D	2.080.000	520.000	520.000	260.000	130.000	130.000

Nevertheless, this table will be used as an internal benchmarking tool reflecting the average prices (internal KPIs) to obtain per each segment. The final price will be set individually according to the segments' price basis (table 9) and each company's diagnosis, complexity and negotiation terms.

Financial Proposal to retail companies

WeDo will provide two options to its clients, regarding their price sensitivity:

1. To pay a value close to the stipulated price for the company's segment;
2. To pay half of the revenues saved by the solution in the first six months³⁹ and an annual maintenance fee (depending on the segment) after the first year of product's trial.

WeDo is confident that these clients will end up signing an effective contract and prefer to buy the licence after recognizing how the investment on RAID highly compensates their revenue losses.

4.3. Proposal of Implementation Plan

4.3.1 Man

This section will go through the organization and the talent and staff required.

³⁸ Consult Appendix 21 for some comments on the pricing recommendation.

³⁹ RAID provides fast ROI, normally between 3 to 6 months after implementation.

Organization

For a successful implementation in the market and to attract high skilled workforce WeDo's **legitimacy** becomes crucial. It is built on **regulatory** actions, **location** and **industry interaction** (Dorf and Byers, 2008). In legal terms, the company is highly accredited according to its certification programmes and memberships⁴⁰ and is endorsed by its existing telecom client's networks. To ensure a good position and interaction in the retail industry, WeDo should develop some efforts to become linked with important national retail and technological intuitions such as SAP España, AECCEM Fecemed⁴¹ and CECOMA⁴² (see Appendix 22). Moreover, WeDo has a physical location in Madrid which has a strategic background: the first client in Spain (Orange España) is based in this city, conferring relationship and costs advantages to the company. In terms of patents, the intellectual property and the brand WeDo are well protected but they should also register the product's name "RAID" since it is not.

Talent & Staff required (consult Appendix 23)

At least for the first three years of implementation, WeDo will greatly rely on the following sales force:

- Regional Sales people – IBLatam Manager

In Spain (based in Madrid's office):

- Commercial adviser – senior in the retailing business, performing under objective-task approach, reporting directly to the IBLatam Manager and to the two Product Managers in Portugal;
- Administrative Assistant – supporting the commercial adviser on the administrative tasks;

⁴⁰ As stated before, the certifications are: ISO 9001:2000, Certified Project Managers by the International Project Management Association, Member of GSM Association and Member of TMF.

⁴¹ Asociación Española de Comercio Electrónico y Marketing Relacional.

⁴² Confederación de Empresarios de Comercio Minorista, Autónomos y de Servicios de la Comunidad de Madrid.

- Technician - for further punctual customer support.

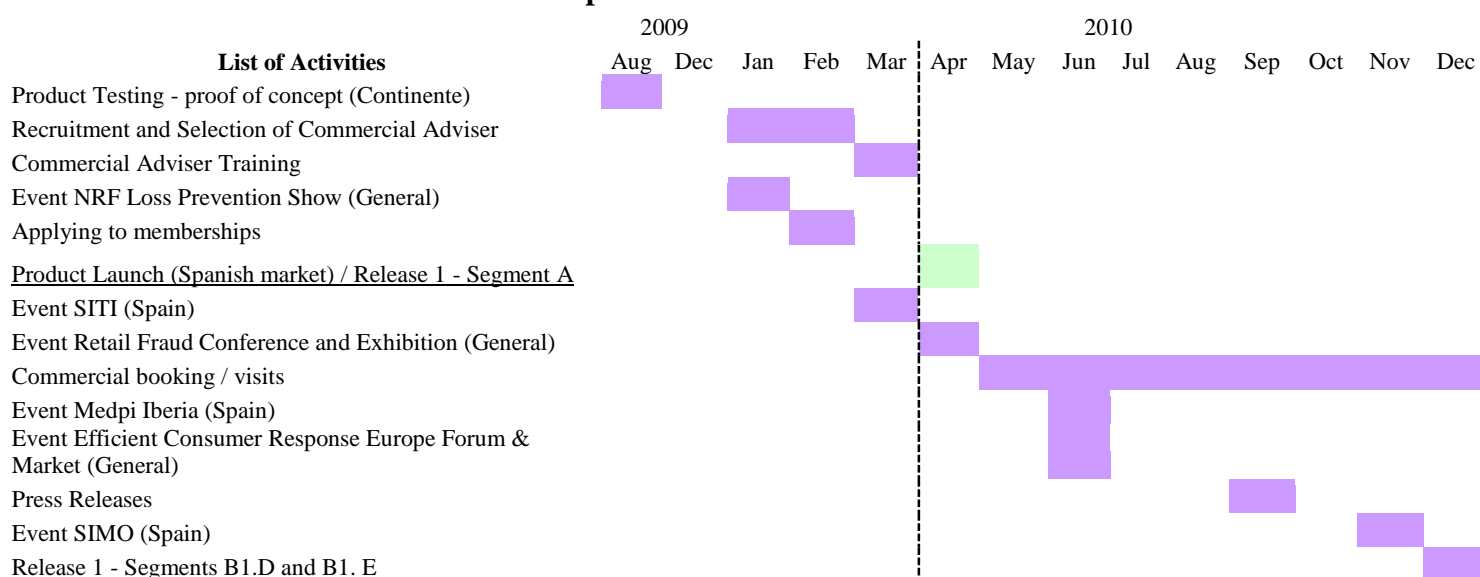
In Portugal:

- 2 Product Managers specialized in Retailing;
- 2 Technicians that will travel to Spain to perform diagnosis and deploy RAID in the companies.

4.3.2 Minute

RAID Retail will be launched in Spain on April 2010 (Release 1), although, a set of tasks must be performed and coordinated until this date, (see Graph 1). The launch date was decided regarding the recruitment period of the commercial adviser. Release 2 should only take place in year 3, after a substantial market consolidation.

Graph 1: Schedule of activities⁴³



4.3.3 Money

In order to stipulate a budget for this implementation, forecasts in terms of **market and segment sales** for the first five years were developed (Wood, 2008): a best and a worst case scenario⁴⁴. WeDo estimates that companies from segment A, not only

⁴³ According to previous discussions with WeDo's managers.

because they will be the first to be targeted, will be more receptive to the product due to their superior financial capacity (see Table 10 and 11).

Table 10: Best case scenario forecast

Year	2010	2011	2012	2013	2014	
Market Share	100%	85%	70%	70%	65%	
	N.º of clients					Total
Release 1						
Segment A	3	2	2	2	2	11
Segment B1.D	0	1	1	1	1	4
Segment B1.E	0	1	0	1	0	2
Release 2						
Segment A	0	0	1	2	2	5
Segment B1.D	0	0	0	1	1	2
Total per year	3	4	5	7	6	24

Table 11: Worst case scenario forecast

Year	2010	2011	2012	2013	2014	
Market Share	100%	85%	70%	70%	65%	
	N.º of clients					Total
Release 1						
Segment A	1	2	1	1	1	6
Segment B1.D	0	0	1	1	1	3
Segment B1.E	0	0	0	0	0	0
Release 2						
Segment A	0	0	1	2	2	5
Segment B1.D	0	0	0	0	0	0
Total per year	1	2	3	4	4	14

For the operational budget, WeDo should pursue an **objective and task budgeting method** by adding up the expenses of the tasks required to accomplish the marketing plan objectives (Wood, 2008). For this reason, several types of costs were taken into account: the development costs and the commercial expenditure (including the sales force's salaries, business travels, event's participation and communication); the facilities and the promotion expenses (press releases and advertising), as well as other costs regarding the required technical support (consult Appendix 24 for more detailed information).

⁴⁴ The sales predictions take into account the previous experience data on the telecom market behaviour, the marketing test and simulation in Continente and mainly the Spanish retailing industry's situation, so to be as accurate as possible. Also, in the first year, for each segment, a success rate of 35% (demand for proposals) after the product presentations is expected.

For the best case scenario P&L⁴⁵, in which the company predicts to achieve three clients from the segment A, the project is paid back in the first year with an estimated EBITDA of nearly 4 million euros.

In the worst case scenario⁴⁶ the company forecasts to sign a contract with only one retailer from segment A, but still manages to have return of investment with earnings before taxes around 1 million euros in year 1.

4.3.4 Entry Strategy and Future Improvements

Concerning the marketing plan direction, WeDo's strategy is to **grow** through **market development** by identifying and reaching a new market (retailing), applying an existing solution (Wood, 2008). In a first stage, the company intends to approach the market by developing the concept, creating the necessity and getting acceptance.

WeDo is also strategically differentiating its offering regarding competition. As stated in Appendix 10, the company will pursue a "Market Share Advancement" move, to be ahead of the competitors in new industries and increase the corporate market share, (O'Shaughnessy, 1995).

If, as expected, the product becomes renowned among retailers, a more aggressive strategy will need to take place, so to handle the higher demand and to defend the market share against the possible entry of technological imitations.

As further developments, if the product becomes successful enough, the entry into new specific sections may become an option. In my opinion, WeDo should then specialize and customize RAID Retail solution according to the most relevant retail formats.

⁴⁵ See Appendix 25.

⁴⁶ See Appendix 26.

5. Conclusion

As a conclusion, RAID presents high potential for the chosen market: it provides an efficient response to a current need (the financial crisis and the revenue leakage affecting the retailing sector), while the Spanish clients have proven to have the desired economical and organizational structure for the product. As a result, WeDo's managers are very confident in terms of RAID's acceptability, especially from those companies belonging to segment A. Also, the project showed to be very profitable in terms of margins, even when considering a bad case scenario.

Regarding the latest trends on the demand for IT solutions in Spain⁴⁷, the major barriers are the lack of knowledge of the products' benefits and their high costs. As a result, pricing was carefully adapted to the financial capacity of the targeted firms. Even so, RAID is still high priced, which combined with the uncertainty toward the product, may be the greatest barrier regarding the sales. This is why the communication strategy will play a fundamental role: WeDo must invest greatly in brand building to become highly recognized in Spain in order to neutralize possible threats such as the entry of new players and the euro valorisation problem.

The first months will be crucial; while they still have no direct competition, efforts should be made in order to build market share and assure a relevant presence in the market. To conclude, I believe this product gathers good conditions to be successful and provides great latitude for continuous developments such as further adaptations to each retailer's specific capacities and needs.

⁴⁷ In Appendix 16.

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7. Appendices